A LITERATURE REVIEW ON CRM – DEFINITIONS, BENEFITS, COMPONENTS, AND IMPLEMENTATION

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ABSTRACT

Technology has revolutionized a wide array of process and discipline across a range of different professions and disciplines. Customer relationship management or the CRM is one of them. CRM is a set of tools and systems that business deploys to improve their relationships with customers in order to retain them and maximize business benefits. In this literature review paper, we have analyzed the business impacts of CRM, its definitions, components, types and other relevant factors. This paper also presents a synthesis of results from previous studies regarding critical success factors of CRM systems which can be utilized in future implementations to ensure success.

INTRODUCTION

Business dynamics throughout the world is changing. Some companies are acquiring others and growing bigger and bigger. Some others are winding up and get extinct. Some are trying to stabilize themselves and are in the pursuit to improve their processes. In the middle of all this, there are many new entrants to the market who are keen to hunt their share of the pie. At the heart of all this is the customer relationship management which deals with how businesses manage their customers and improve their relationships with them. Companies which can effectively do this task are going to be the in the front row of competition and probably win in the business arena.

In this paper, we have explored this important aspect and elaborated the revolutionary role of internet technology in re-shaping this discipline.

WHAT IS CRM?

CRM stands for Customer Relationship Management and various definitions exist for this concept. This includes:

- "A way to identify, acquire, and retain customers" (based on a business perspective of increasing competition that is driving companies to focus on their customers) (Parthasarathy & Ramasamy, 2015)
- Customer relationship management (CRM) is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction.(Sen & Sinha, 2011)
- "A way of automating the front office functions of sales, marketing, and customer service" (based on the relatively new phenomenon of the integration of previously separate applications such as Sales Force Automation and Customer Service Support into Enterprise Applications) (Parthasarathy & Ramasamy, 2015)
- For some vendors, whatever their current product may be, that is CRM (result of software vendors repositioning their information technology products and services under the CRM umbrella, to take advantage of the fast growth of the CRM market)
(Parthasarathy & Ramasamy, 2015)

- "CRM is in fact about creating value for customers" (Cash, 1999)
- "CRM is a comprehensive approach which provides seamless integration of every area of business that touches the customer - namely marketing, sales, customer service and field support - through the integration of people, process, and technology, taking advantage of the revolutionary impact of the information technology. CRM creates a mutually beneficial relationship with your customers. It is fundamentally cross-functional, customer - focused business strategy"(Fulk& Whang, 2000).

CRM is actually all of this and above definitions are valid from different perspectives. All of them deal with customers and how relationships with them are effectively established for long-term business success. It is often driven by technology, nowadays, as it is no more feasible to remember their details through memory or write down in registers. Personalized experience lies at the very heart of CRM.

In our opinion, following definition sums it up efficiently:

> CRM is first and foremost a strategy and corporate philosophy that puts the customer at the center of business operations so as to increase profits by improving customer acquisition and retention. It involves identifying high-value customers and automating processes so that sales, marketing, and service efforts will be more efficient and effective. In its complete form, CRM provides a 360-degree view of the customer and integrates all necessary information about the customer at every touch point – be it traditional voice, Internet-based, or wireless.(Doshi, 2003)

It is important to clarify that CRM is not a technology in itself but it utilizes technology to achieve its objectives. "Technology makes it possible to integrate the large volumes of customer information that are required for CRM, and to efficiently transform this information into useful knowledge. Technology also enables a company to interact with its customers in ways that provide value to the customer, as well as makes it easier for the customer to do business with them. However, leveraging this customer knowledge to make better business decisions and being 'responsive to customers' remains the responsibility of individual managers and workers at all levels within the company.

IMPORTANCE OF CRM:

- CRM is a business policy focused on maximizing shareholder value through charming, growing, and keeping the right customers (Parthasarathy & Ramasamy, 2015).

- Many researchers have focussed on CRM from the perspective of existing products. However, the role of CRM goes beyond that and it can also be used in the development of new products. The model proposed by Ernst, Hoyer, Krafft, and Krieger (2011) can be very useful in this regard.

- It deals with establishing and retaining a long-term relationship with customers which is essential for business success(Padilla-Meléndez & Garrido-Moreno, 2014).

- CRM is one of the key business strategies in the present era. Businesses have realized that their success and sustainable revenues are dependent on managing customer relationships and satisfying them.

- Market dynamics in the present age is not the same as it used for be a few years ago. It is the not the age of simple cycle of produce-move-sell. It has now evolved to a state where keeping loyal customer is extremely important, be it a fast-moving good like cooking oil to a highly technical product like industrial machinery. Customers go to the suppliers from where they get the most satisfaction. It is the era of developing mutually long-term relationships with customers

- In the times of intense competition, especially during the economic stifles, it is essential for a business to retain and grow their business through CRM.

- CRM is conceptualized as an endogenously determined function of the organization's ability to harness and orchestrate lower-order capabilities that comprise physical assets, such as IT infrastructure, and organizational capabilities, such as human analytics (HA) and business architecture (BA). Our results reveal a positive and significant path between a superior CRM capability and firm performance. In turn, superior CRM capability is positively associated with HA and BA (Tim Coltman, Timothy M Devinney, & David F Midgley, 2011).

Key components within the scope of a CRM system are as follows (Doshi, 2003):

Figure 1: CRM scope

CRM AND THE INTERNET:

The Internet has significantly reduced the cost of managing customer relationships and increased the productivity of such tasks by manifolds. But this has also resulted in increased customer expectations which business need to keep pace with to retain and establish relationships with them (Norris et al, 2000).

Some of these expectations are:

- Reduced sales cycles
- Quicker product delivery
- Product delivery in newer formats and forms
- Personalized information
- Quicker resolution of service issues,
- Returns and compensations systems
- Quicker and safer payment procedures
- Online shopping and payment
- Added value at each stage of the transaction

Companies accordingly have to prepare to meet these increased expectation through the implementation of effective CRM systems (Matiş & Ilieş, 2014).

From above, it is clear the CRM is not a stand-alone system in the organization but it needs to be maintained well and integrated with other functions to construct a satisfying customer experience. A CRM strategy involves the entire enterprise and is employed on an ongoing basis (Sen & Sinha, 2011). Internet and networks are effective tools to implement this as they let organizations overcome the boundaries of time and distance across the supply chain creative effective and speedy solutions for customers.

All major companies around the world are very heavily relying on CRM in current times. Within Dell, for example, about 75 percent of order status transactions, and almost 50 percent of sales are enabled by the Web. Dell is moving these transactions online because customers told us they want faster, more efficient support for routine interactions. Over the phone, these transactions cost between $3 and $10 each, but the Internet lowers the cost to zero in most cases. More importantly, the entire process is more efficient for customers and enables Dell to extend cost savings to them, resulting in winners all the way around.

Halal explained that a positive customer experience is more successful in acquiring customer loyalty than the attributes traditionally considered to drive business sales, such as product selection, price, channels, locations, store appearance etc. (Halal, 2000). However, if these factors are fine-tuned from the CRM point of view, these factors can enable the business success.

Doing business on the internet is not just about providing services online. It is the whole experience which has to be carefully constructed to maximize the business benefits. It is about using the Internet to develop, maintain and manage positive relationships with customers, partners, and suppliers. The result is long - term relationships, repeat sales, business efficiency, and increased profitability. Companies that put a strategic focus on customers and leverage the capabilities of the Internet to enhance those relationships will survive and thrive in the Internet Marketplace.

As the internet has revolutionized other fields, in the same way, it has brought a revolution in the field of CRM and there are a number software packages now available in the market to serve this purpose.

COMPONENTS OF CRM:

Researchers have studied the CRM systems and identified their different components. It shows variation from system to system. Following is a snapshot of research synthesis from papers written by Saeed, Grover, Kettinger, and Guha (2011).

Citation	CRM Applications
Goodhue et al., 2002	• CRM applications (call centers, web marketing, web self service etc.) • CRM infrastructure (integrated applications with a common and standard data infrastructure) • CRM system to support organizational transformation (applications, data, and technical infrastructure)
Gefen and Ridings, 2002	• Operational CRM • Analytical CRM • Collaborative CRM • Additional modules (marketing campaign management and telemarketing)
Massey et al., 2001	• Customer interaction systems • Integrated channel management • Analytical tools
Karimi et al, 2001; Schierholz et al., 2007; Teo et al., 2006	• Operational systems • Collaborative systems • Analytical systems
Cooper et al., 2000	• Client information system • Product profitability analysis system • Contact management system • Distribution management system
El Sawy and Bowles, 1997	• Customer support management system • Knowledge base system

Figure 2: CRM Components

There are three main types of CRM.

a) Operational CRM:

Operations CRMS operate the dashboard to provide essential information about the customers such as:

- Customer details,
- Past sales,
- Previous marketing efforts,
- Summary of the relationships between the customer and the firm.

Operational CRM is made up of 3 main components:

- Salesforce automation,
- Marketing automation, and
- Service automation.

("Types of CRM and Examples | CRM Software," 2016)

b) Analytical CRM:

Through analytical CRM, customer data collected through various mechanisms is analyzed to see certain patterns, trends, and other important details. This enables the business to take better decisions. Analytical CRM systems use a variety of techniques for this purpose which includes:

- Data mining, (Tuzhilin, 2012)
- Correlation, and
- Pattern recognition
- Trend analysis
- Comparisons
- Factor analysis
- Assessment of external impacts etc.

This analytics helps improve customer service by finding small problems which can be solved, perhaps, by marketing to different parts of a consumer audience differently.("Types of CRM and Examples | CRM Software," 2016)

c) Collaborative CRM:

The purpose of Collaborative CRM is to incorporate external stakeholders such as suppliers, vendors, and distributors and share customer information across organizations. This helps in continuous improvement and collaboration of the whole supply chain. For example, customer views are recorded at sales outlets or customer service centers, it can then be communicated to technical staff, which then passes it on to production. If need be, design and materials teams are involved as well to bring in end-to-end improvement based on customer expectation from the company. Information about company's response to customer feedback is then compiled and fed back to the customer, often with some compliments. This increases the trust and confidence of customer in company processes and its management resulting in sales from that customer, and the ones he/she will positively present the company to, will be likely to increase.

E-CRM:

E-CRM is not an equivalent of electronic CRM (Nykamp, 2001) rather it is the customer management for e-business that must confront the complexity of managing sophisticated customers and business partners in a variety of media including online and offline media, personal contact, and more automated and electronic forms of communication. With the use of new modes of communication in businesses, including the new rising force of social media, it is essential that companies understand them and include E-CRM in their processes to deal with such aspects.

SUCCESS FACTORS RELATED TO CRM IMPLEMENTATION:

Despite the fact that CRM projects incur huge expenditures, a large percentage fails to achieve the stated objectives. Inappropriate CRM decision-making and implementation can result in multi-million dollar losses, which can translate into a loss of competitiveness(Lin, 2013). Failure in CRM initiatives could be avoided if a firm's CRM strategies are intelligently linked with its employees, customers, channels, and IT infrastructure (Sen & Sinha, 2011).

Researchers have identified various success factors for CRM. Following is a snapshot of table presented in a paper written by Padilla-Meléndez and Garrido-Moreno (2014).

Authors	Croteau and Li (2003)	Chen and Ching (2004)	Jayachandran et al. (2005)	Sin et al. (2005)	Suntornpithug et al. (2010)	Chang et al. (2010)	Fan and Ku (2010)	Yang (2012)
Studied factors								
IT								
Technological readiness	✓	✓	✓	✓				✓
Technology integration			✓	✓		✓		✓
KM capabilities								
KM characteristics	✓	✓	✓	✓			✓	✓
Customer KM			✓	✓	✓	✓		✓
Organisational readiness								
Top management support	✓		✓		✓	✓		
Employee training and motivation	✓	✓	✓	✓	✓	✓		✓
Organisational structure/ processes		✓	✓	✓		✓	✓	
Customer orientation								
Customer service		✓	✓	✓			✓	✓
Key customer focus				✓			✓	
Customer-centric culture						✓		

Figure 3: Snapshot of research synthesis regarding critical success factors for CRM (Padilla-Meléndez & Garrido-Moreno, 2014)

Research synthesis by Saeed et al. (2011) produced following synthesis:

Citation	Top Management Intervention	IT Management Intervention	Relationship Management Intervention
Goodhue et al., 2002	• Organizational sponsorship and commitment	• Incremental approach • Scope of the CRM project	
Chatterjee et al., 2002	• Top management beliefs • Top management participation • Strategic investment rationale		• Extent of coordination
Gefen and Riding, 2002		• System configuration	
Massey et al., 2001	• Executive level support	• IT as an enabler • System features	• Customer's point of pain
Kohli et al., 2001			• Effective relationship management
Wixom and Watson, 2001	• Management support • Champion		
Hong and Kim, 2002	• Manage resistance to change		
Lau and Hebert, 2001	• Ongoing management support • Champion	• Compatibility	• Team work • Cooperation
El Sawy and Bowles, 1997		• Integrated system	• Cross functional teams • Customer relationships
Guha et al., 1997	• Change agents • Champion • Change management	• Dominant, enabling or socio-technical	
Rainer and Watson, 1995	• Top management support • Executive sponsor • Manage organizational resistance		
Anderson et al., 1995	• Visionary leadership		• Internal and external cooperation
Kwon and Zmud, 1987	• Top management support	• Compatibility	• Informal networks • Inter-organizational dependence

Figure 4: Snapshot of research synthesis regarding critical success factors for CRM (Saeed et al., 2011)

These success factors need to be effectively considered during the pre and post implementation phases of CRM. In this regard, Amin-Reza Kamalian, Noor-Mohammad Ya'Ghoubi, and Fataneh Baharvand (2013) have produced a useful model and explained its each phase to facilitate implementation efforts.
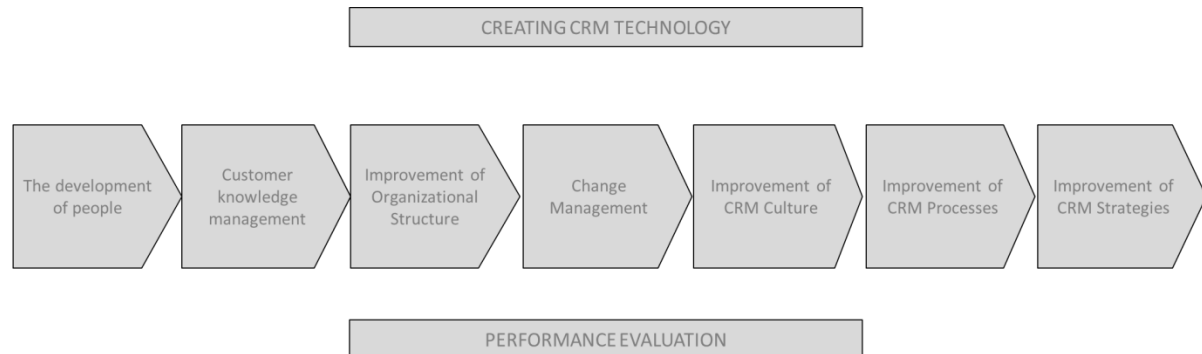
Figure 5: CRM Implementation Phases

CONCLUSION

In this paper, we have conducted the literature review on various definitions of CRM and reviewed what comes within its scope. This elaborates the importance of the integral role of CRM in present times of intense competition when the customer has to be given his or her due value and kept at the center of organizational processes. Customer relationship management is proven by researchers to be of great value to the company in terms of short-term and long-term success and customer retention. However, if implemented without considering essential success factors, it often results in huge losses for companies. Researchers have accordingly explored the key success factors for effective CRM implementation. These success factors have to be embedded in the system design and various phases of this implementation. This is not a choice anymore and has become one of the key items in the survival kit of business in the 21st century.

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